

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7813

BILL NUMBER: SB 466

NOTE PREPARED: Jan 11, 2005

BILL AMENDED:

SUBJECT: Police and Fire Surviving Spouse Benefits.

FIRST AUTHOR: Sen. Server

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill increases the surviving spouse's benefit for members of the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, and the 1953 Police Pension Fund by 10% and phases in the increase in five equal installments over five years starting July 1, 2005.

Effective Date: July 1, 2005.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: This bill increases the surviving spouse's benefit for members of the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, and the 1953 Police Pension Fund by 10% and phases in the increase in five equal installments over five years starting July 1, 2005.

<u>Year</u>	<u>Estimated Increase in Annual Benefits</u>
2005	\$350,000
2006	\$1,080,000
2007	\$1,920,000
2008	\$2,870,000
2009	\$3,920,000

Note that since this proposed legislation applies to existing survivor benefits, cities and towns will incur administrative costs because they will have to recompute these existing survivor benefits. This cost cannot be quantified.

The principal sources of revenue to local units for contributions into these funds include the following: (1) general property taxes, (2) Financial Institutions Tax, (3) Auto and Aircraft Excise Tax, (4) certified shares, (5) Property Tax Replacement Credits, (6) County Option Income Tax, (7) Commercial Vehicle Excise Tax, (8) liquor excise and liquor gallonage distributions, and (9) wagering taxes. Other revenue sources include licenses and permits, charges for services, fines and forfeitures, and interest on investments.

Also, cities and towns with a population of over 5,000 may use up to 10% of their Motor Vehicle Highway Account distributions for law enforcement purposes. Cities and towns under 5,000 can use up to 15%.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Those units with members in the affected funds.

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF, and the Police and Fire Funds, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Unfunded Actuarial Liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability as that time over the value of its cash and investments.